

**FAIR LABOR**
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANY: **Cutter & Buck**
COUNTRY: **China**
ASSESSMENT DATE: **09/25/13**
MONITOR: **FLA Assessor Team (China)**
PRODUCTS: **Apparel**
PROCESSES: **Cut, Sew, Full [= full package]**
NUMBER OF WORKERS: **315**
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: **AA0000000321**

FLA Comments

On June 11, 2014, Cutter & Buck sent a copy of the SCI assessment findings to our field contact, who then shared this information with the factory. However, on June 18, 2014, the factory announced that it would be closing its workshops and only operating the sample room and employing its merchandiser team. Cutter & Buck's field contact has since compiled a list of products that will have to be moved to other factories. Because the factory is no longer working with vendors, our field contact was unable to obtain a corrective action plan. However, based on the WRAP report that was also shared with FLA, the factory's compliance status is satisfactory, but needs improvement. WRAP will follow up with the factory to improve on areas where improvement is needed. To the best of Cutter & Buck's knowledge, there are no other FLA-affiliated brands sourcing from the factory.

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Improving Workers' Lives Worldwide

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

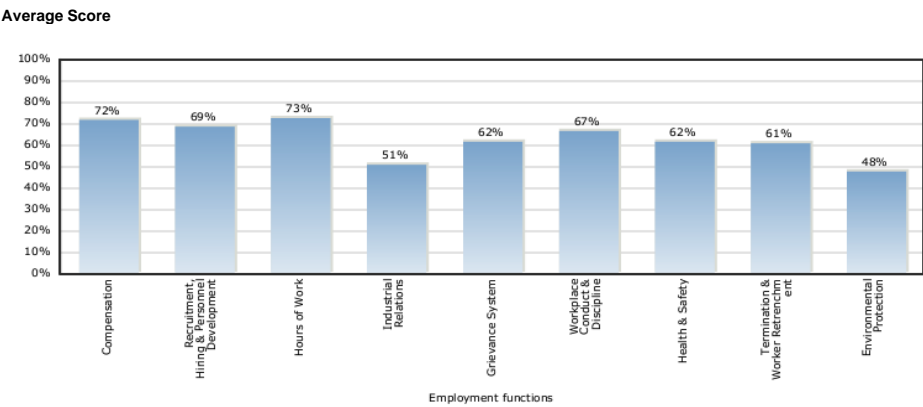
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

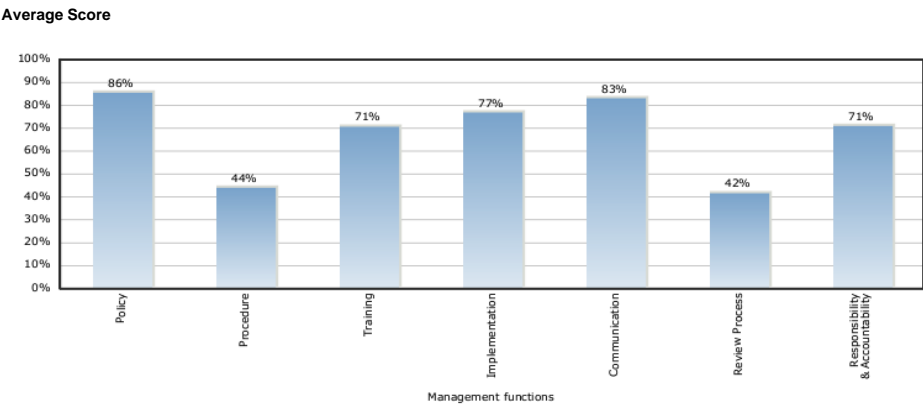
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	83.33%	80%	84.62%	0%	66.67%	83.33%	90.91%	62.5%	71.43%	69.2%
Procedure	68.3%	44.33%	79.41%	0%	75%	72.22%	48.33%	0%	0%	43.07%
Responsibility & Accountability	70.75%	79.25%	69.5%	61%	87.5%	70.75%	70.75%	72.33%	72.33%	72.69%
Review Process	50%	50%	50%	0%	25%	75%	50%	25%	33.33%	39.81%
Training	69.23%	85.71%	83.33%	20%	75%	59.38%	50%	61.36%	70%	63.78%
Implementation	90.69%	85.63%	88.24%	68%	77.27%	96.15%	87.5%	75.34%	47.64%	79.61%
Communication	75%	87.5%	85%	0%	75%	100%	100%	77.5%	75%	75%
Aggregate Score	72.47%	73.2%	77.16%	21.29%	68.78%	79.55%	71.07%	53.43%	52.82%	

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations	Violations
Compensation	3	General Compliance Compensation Workers Awareness and Understanding of Compensation Accurate Calculation, Recording, and Payment of Wages
Employment Relationship	15	General/Human Resource Management Systems Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Time Recording System Administration of Hours/Production and Incentive Schemes Industrial Relations Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	7	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces Right to Collective Bargaining/Good Faith Right to Freely Associate
Hours of Work	1	Annual Leave
Health, Safety and Environment	6	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Ergonomics Sanitation in Workplace Facilities Notification and Record Maintenance Evacuation Requirements and Procedure
Non-Discrimination	2	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

Findings and Action Plans

FINDING NO.1

INDUSTRIAL RELATIONS

FINDING TYPE: Immediate Action Required

Finding Explanation

1. According to management interview, the factory automatically enrolls every worker as a member to the trade union without written application or consent; 90% of interviewed workers were unaware that they were members.
2. Copies of the current collective bargaining agreement (CBA) are not provided to workers. None of the interviewed workers were aware of the existence of a CBA.
3. Part 5, Article 5, Clause 7 of the Employee Handbook stipulates that workers would be fired in case of any involvement in strike or work stoppage.
4. Management and supervisors held the trade union chairman and all of the trade union committee member positions. The election was not carried out by the method of multi-candidate election, in which the number of candidates exceeds the number required. In the factory's elections, the required number of committee members is 9 and the number of candidates is 9 as well.

Local Law or Code Requirement

Constitution of Chinese Trade Union, Article 10; FLA Workplace Code (Employment Relationship Benchmarks ER.16.2 and ER.26; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.22)

Root Causes

1. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.
2. Factory management:
 - a) is not aware of FLA Workplace Code & Benchmarks related to CBA and freedom of association and b) does not think it is necessary to provide employees with copies of the CBA, as it is not a legal requirement in China to do so. Additionally, it is a common practice in Chinese factories to automatically enroll workers into the existing official union.
 3. The personnel who created the Employee Handbook lacks awareness and knowledge on industrial relations and legal requirements. there is no clause stated prohibiting strike or work stoppage in the local law.

Recommendations for Immediate Action

1. Factory management is to ensure that participation in the trade union is voluntary and without interference. 2. Management is to remove Part 5, Article 5, Clause 7, as related to strikes, from the Employee Handbook and to make sure all relevant documents are crosschecked

FINDING NO.2

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Names of employees subjected to disciplinary actions are posted on the factory's notice board. For instance, 2 employees in the QA department were given written warning in July 2012; according to management interview and document review, the written warning notices indicated that their names were posted on the notice board at that time.
2. Employees subjected to disciplinary actions are not required to sign the written records of disciplinary action against them. The discipline procedure does not include this requirement.
3. According to management interview, the factory did not maintain written records of all disciplinary actions taken, especially for some disciplinary actions considered not severe by management, such as verbal warning.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.27.2.2 and ER.27.3.3; Harassment or Abuse Benchmark H/A.6)

Root Causes

1. In factory management's opinion, posting the names of employees subjected to disciplinary actions is more effective in enforcing workplace discipline.
2. Current discipline practice (whereby not all records are maintained and workers are not required to sign on the disciplinary actions) is considered more efficient by factory management.
3. The factory is not aware of FLA's Workplace Code and Benchmarks related to workplace conduct & discipline.

Recommendations for Immediate Action

1. Cease the practice of posting disciplinary actions with the name of the concerned employees.

FINDING NO.3

POLICY & PROCEDURE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is lack of policy/procedure in many areas, such as performance review & personnel development; industrial relations; freedom of association; retirement & retrenchment; environmental protection; and health & safety.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.28, ER.30, ER.29, ER.31, and ER.32)

Root Causes

1. Factory management has the mindset of writing simple policies only to deal with conventional audits, rather than establishing procedures to make the factory improve in a sustainable and long-term manner.
2. Factory owner did not allocate enough resources to developing detailed policies and procedures on many employment functions.
3. There have never been any cases of retrenchment and retirement in the factory, so factory management did not see the need to develop the relevant policy and procedure.

FINDING NO.4

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on review of documentation and practices, management does not hire workers between 16 and 18 years old;
2. According to on-site observation, there were no male workers in the sewing department. Factory management also expressed that they do not hire male workers for sewing positions.
3. There were no disabled workers in the factory. According to local law, disabled workers should constitute at least 1.5% of the workforce. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination based on FLA benchmarks.
4. There are not job descriptions available for all of the production positions.

Local Law or Code Requirement

Employment Promotion Law of PRC, Article 3; Regulations on the Employment of Persons with Disabilities, Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.3; Non-Discrimination Benchmark ND.2)

Root Causes

1. Factory management lacks awareness of employment non-discrimination and of FLA Workplace Code & Benchmarks related to the topic.
2. Factory management is of the opinion that female workers do better job than their male counterparts in sewing positions.
3. The factory considers protection requirements for young workers (e.g., restrictions on overtime work) cumbersome and, therefore, prefers not to hire them.
4. Local law allows employers to pay into the Employment Security Fund in lieu of employing disabled workers
5. As the type and severity of disability is an important factor for deciding if a candidate is suitable for the workplace/task to which they will be assigned, factory finds it difficult to recruit eligible disabled workers.
6. Factory has limited resources in the HR department.

Recommendations for Immediate Action

1. Remove age requirements from factory recruitment policies and job postings.

FINDING NO.5

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Based on review of factory's policy and practice, annual leave is not provided to workers in line with legal requirements.
 - a) Seniority is not accumulated from historical working experiences (even at the same factory);
 - b) Workers are not entitled to take annual leave until they have worked consecutively for 1 year in this factory at the time of calculation, although employees are legally entitled to annual leave within the first year of hire.
2. Management did not make sufficient effort to ensure workers understand fringe benefits. The training content on fringe benefits was very limited. According to worker and supervisor interviews, many of them were not aware of the number of legally mandated paid leave days.

Local Law or Code Requirement

Paid Annual Leave Regulation (2007), Article 3; Implementation Measures of Employees' Paid Annual Leave (2008), Articles 4 and 5; FLA Workplace Code (Hours of Work Benchmark HOW.11; Compensation Benchmark C.17)

Root Causes

1. HR department does not fully understand the legal requirements for annual leave.
2. Management considers full compliance with annual leave disruptive to production planning and financially burdensome.

FINDING NO.6

TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no supervisor training on national laws or FLA Workplace Code & Benchmarks in the factory.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.17.1)

Root Causes

1. Training for supervisors are mainly focused on production rather than social compliance. The factory does not fully recognize the benefits of supervisor training on social compliance and therefore does not allocate enough resources to it.
2. Factory lack awareness of FLA Workplace Code & Benchmarks related to supervisor training.

FINDING NO.7

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Factory did not maintain the name, ingredient, and MSDS for 1 type of laundry detergent. The laundry wastewater was directly discharged without treatment and there is an environmental risk of wastewater containing hazardous chemicals.
2. Hazardous wastes, such as fluorescent tubes and waste containers of decontamination agent, were not disposed of by an authorized facility.

Local Law or Code Requirement

Water Pollution Prevention and Control Law of the People's Republic of China, Article 22; Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Article 58; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.10)

Root Causes

1. There is a lack of staff resources to manage factory's environmental affairs.
2. There was no environmental risk analysis report in place.
3. Internal monitoring on HSE issues is not implemented well.

Recommendations for Immediate Action

1. Obtain the laundry detergent's detailed information, including name and MSDS.
2. Seek an authorized firm for disposing hazardous wastes.

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. No chairs were provided to workers working in the ironing area. These workers work in standing position for long stretches of time and cannot sit down when they feel tired.
2. Most chairs provided to workers do not have proper backrests to support their lower backs;
3. Workers who are required to lift heavy items were not trained on proper lifting techniques.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmark HSE.17)

Root Causes

1. Management's lack of awareness of the benefits of ergonomic improvements, such as increasing productivity and attendance levels, while reducing risk of worker accidents and Musculoskeletal Disorder (MSDs);
2. Implementing ergonomic improvements implies additional costs for management;
3. Health and Safety department does not include ergonomics as part of their risk assessments.

FINDING NO.9

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Factory did not provide pre-job occupational health examinations for workers who work with hazardous chemicals, in addition the eligible workers were not informed of the occupational health risks before starting the work. For instance, based on worker interview 2 female workers working in the decontamination room were not informed of the potential health risks as their work is exposed to chemicals.
2. Factory has not maintained all work-related injury or accident/incident records (e.g., minor and near-miss cases). For example, workers were not required to fill in their reason for needing medical supplies, when they took them from first aid boxes.
3. There is no safety instruction at ironing positions to alert workers to the hot surfaces.
4. During the lunch break, canteen staff from the outsourced service provider was not wearing hats while serving food. Also, food samples were not kept for 48 hours.

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Articles 32 and 34; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.3, HSE.14, and HSE.22)

Root Causes

1. Factory does not have enough human resources to manage factory's occupational health and safety affairs.
2. Occupational health and safety risk analysis report is not updated and incomplete.
3. Factory management does not strictly monitor the canteen service provider's operations.
4. Management lacks awareness about the possible benefits of keeping records of all work-related accidents and incidents.
5. Factory skipped the pre-job occupational health examinations for eligible workers to simplify matters.

Recommendations for Immediate Action

1. Food should be prepared in a safe and sanitary manner; factory is to keep food samples for at least 48 hours;
2. Post safety instructions at ironing positions and train workers on safe operation.

FINDING NO.10

REVIEW PROCESS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no mechanism to conduct periodic reviews. Factory does not conduct periodic review of its existing policies on the following Employment Functions: Recruitment; Compensation; Hours of Work; Workplace Conduct & Discipline; and Grievance system.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3)

Root Causes

1. Factory does not have policies and procedures in place for many Employment Functions; and in the case of the existing ones, management does not see the need to update them on a periodic basis.
2. There is no staff with the specific responsibility of reviewing and updating policies.

FINDING NO.11

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

1. The Chinese apparel industry currently does not provide wages that allow for the fulfillment of basic needs plus a discretionary income.
2. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic needs.